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November 26, 2014

Via CM/ECF System & First Class Mail

Honorable Robert D. Drain
United States Bankruptcy Judge
Southern District of New York
300 Quarropas Street
White Plains, New York 10601

Re: **Jonathan M. Lilian, Chapter 7 Debtor**
S.D.N.Y. Case No. 13-23048(RDD)

Dear Honorable Judge,

This is a status letter concerning the above-referenced Chapter 7 proceeding and the loss mitigation pending between the Debtor, Wells Fargo Home Mortgage ("Wells Fargo"), which holds the first mortgage, and Pentagon Federal Credit Union ("PenFed"), which holds the second mortgage.

With respect to the Wells Fargo mortgage, the underwriting department has advised that in order to finalize the Debtor's mortgage modification a signed subordination agreement is required from PenFed. The trial mortgage payments ended in July 2014 and the Debtor has continued to make monthly payments in good faith to Wells Fargo while waiting for the subordination agreement from PenFed. Counsel for PenFed recently advised that PenFed does not consent to providing Wells Fargo with a subordination agreement.

The Debtor was denied a modification because PenFed will not consider the Debtor's spouse's income unless she agrees to obligate herself on the loan. While initially willing to consider the scenario it appears the loan is "underwater" by a few hundred thousand dollars, and thus she was declined to obligate herself.

On October 2, 2014, the Debtor proposed to pay the mortgage arrears to PenFed at the rate of \$500.00 per month. On October 17, 2014, this firm received a response stating that "*any agreement to accept arrears repayment would require the Debtor to enter into a reaffirmation agreement*" and that "*a repayment agreement could not be reached unless the Debtor reaffirms the entire debt owed to Pentagon*".

Honorable Robert D. Drain
November 26, 2014
Page 2

Counsel for PenFed has advised that there are accruing legal fees and other costs totaling \$10,000.00 in connection to this matter. The undersigned requested a breakdown of the attorney fees and inquired if PenFed would be willing to require that the Debtor only reaffirm the amount of the arrears.

To date, a response was not provided regarding the attorney fees. Instead, a status letter was e-filed on November 20, 2014 by counsel for PenFed requesting that the Court restore on the calendar PenFed's Motion for Relief from Stay.

On November 21, 2014, I requested a telephone conference among counsel, the Debtor, and a representative from PenFed. On November 25, 2014, counsel responded that he would agree to a phone call with me. I responded, requesting a phone conference with counsel and the parties in the hope this matter can be resolved to the satisfaction of all involved.

At this time, a status conference is currently scheduled for **December 9, 2014 at 10:00 a.m.** to address the issues in this pending loss mitigation.

Respectfully submitted,

/s/ Dawn Kirby

DK/dap

cc: Michael L. Moskowitz, Esq.
Counsel for Pentagon Federal Credit Union
Via ECF

Charles Higgs, Esq.
Counsel for Wells Fargo Home Mortgage
Via ECF